

Message Text

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ACTION ARA-10

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P 061837Z NOV 75

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC PRIORITY 7475

C O N F I D E N T I A L NASSAU 1874

E.O. 11652: GDS

TAGS: EFIN CFED BF

SUBJ: REQUEST FOR POST CLEARANCE OF VISIT BY IRS INSPECTORS

REF: A) STATE 260916; B) NASSAU 1856

1. EMBASSY ASSUMES FROM REFTEL A THAT WOLSTENCROFT CASE IS ONE AND THE SAME AS PUBLICLY REPORTED CASE OF NASSAU BANK OFFICIAL WHO, ON VISIT TO MIAMI, WAS SEDUCED BY UNNAMED FEMALE IN ORDER FOR BRIEFCASE TO BE OPENED AND DOCUMENTS PHOTOGRAPHED. (EVEN IF IT IS NOT, IT WILL BE WIDELY ASSUMED TO BE ONE AND THE SAME BY LOCAL AUTHORITIES.) THIS CASE WAS GIVEN WIDE AND SENSATIONAL COVERAGE IN NASSAU PRESS AND IN "MIAMI HERALD" WHICH IS WIDELY READ HERE. BANK IN QUESTION WAS IDENTIFIED AS CASTLE, BUT EMPLOYEE'S NAME, TO EMBASSY'S KNOWLEDGE, HAS NOT BEEN REVEALED. IF THIS IS TRUE, WE BELIEVE WOLSTENCROFT MIGHT BE RELUCTANT, UNDER ANY CIRCUMSTANCES, TO RESPOND TO QUESTIONING BY IRS AGENTS, BUT ALTERNATIVELY THAT RELUCTANCE MIGHT BE LESSENER IF OFFER WAS MADE TO HOLD INTERVIEW OUTSIDE NASSAU. PRESUMABLY, WOLSTENCROFT WOULD LIKE TO KEEP KNOWLEDGE OF HIS MARITAL INFIDELITY FROM HIS WIFE AND FAMILY AND KNOWLEDGE OF HIS INDISCRETION FROM HIS ASSOCIATES AND EMPLOYERS. IT WOULD ALSO APPEAR THAT HE WOULD HAVE LITTLE TO GAIN AND PERHAPS A GREAT DEAL TO LOSE IF THE GCOB BECAME AWARE THAT HE WAS THE BANK OFFICIAL IN QUESTION. WOLSTENCROFT HAS LIVED IN NASSAU FOR SEVEN YEARS AND HE AND HIS WIFE ARE ACTIVE IN CIVIC AFFAIRS AND ARE WIDELY AND WELL-KNOWN. IT WOULD THUS SEEM TO US LOGICAL FROM WOLSTENCROFT'S POINT OF VIEW THAT THE LIKELIHOOD OF DETECTION AND OF SUSPICION WOULD BE REDUCED IF INTERVIEW WERE HELD AT SOME OTHER PLACE.

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WM ALLEGED ILLEGAL IRS ACTIVITIES IN THE BAHAMAS ARE STILL VERY MUCH A SENSITIVE ISSUE WITH THIS GOVERNMENT. SO MUCH SO THAT ATTORNEY GENERAL AND MINEXTAFF ADDERLEY SAW FIT TO ADD A SPECIFIC PARAGRAPH ON SUBJECT IN HIS WORKING GROUP'S REPORT ON FOREIGN POLICY WHICH HE MADE AT LAST WEEK'S PLP ANNUAL CONVENTION (REF B). GCOB'S NOTE OF SEPTEMBER 30 REMAINS FOR ALL PRACTICAL PURPOSES UNANSWERED AND WE FEEL THAT "TO INFORM" THEM OF FURTHER "INVESTIGATIONS" BY IRS IN BAHAMAS, EVEN THOUGH WE WOULD OF COURSE EMPHASIZE THAT INVESTIGATION WAS NECESSARY TO DETERMINE WHETHER IRS HAD ACTED CONTRARY TO GCOB LAWS, MIGHT BE RESENTED AND MISCONSTRUED WITH POSSIBLE NEGATIVE RESPONSE ON THEIR PART. MOREOVER, FOR REASONS SUGGESTED ABOVE, IT MIGHT BE IMPOSSIBLE, IN THIS SMALL COMMUNITY, TO PROTECT WOLSTENCROFT OR HIS FAMILY FROM PUBLIC REPROBATION.

3. IN ANTICIPATION OF THESE POTENTIAL PROBLEMS, EMBASSY WOULD LIKE TO SUGGEST FOR DEPARTMENT'S AND IRS' CONSIDERATION THE FOLLOWING ALTERNATIVE SCENARIO: IRS WOULD WRITE DIRECTLY TO WOLSTENCROFT STATING THAT THEY NEED HIS ASSISTANCE IN A MATTER NOW PENDING BEFORE THEM AND WOULD INVITE HIM TO MIAMI FOR AN INTERVIEW. IT WOULD BE HELPFUL IF IRS WOULD DEFRAY ANY EXPENSES INCURRED, AND THIS PRESUMABLY SHOULD BE FEASIBLE SINCE PROPOSED APPROACH (REF A) INVOLVES TWO IRS PERSONNEL TRAVELING TO NASSAU. IF WOLSTENCROFT ACCEPTS, SO MUCH THE BETTER; IRS GETS ITS INTERVIEW AND REQUEST FOR GCOB'S APPROVAL OF IRS INVESTIGATORS' VISIT TO NASSAU AS WELL AS POTENTIAL PROBLEMS ARISING OUT OF THEIR PRESENCE HERE AT THIS TIME ARE AVOIDED. SHOULD WOLSTENCROFT REFUSE TO COME TO MIAMI TO BE INTERVIEWED IRS LETTER COULD OFFER AS AN ALTERNATIVE WILLINGNESS TO INTERVIEW HIM HERE IF HE PREFERS. LATTER MIGHT SERVE TO INDUCE HIM TO AGREE TO COME TO MIAMI. HOWEVER, PROSPECTS ARE THAT IF HE REFUSED TO BE INTERVIEWED IN MIAMI HE WILL ALSO REFUSE TO BE INTERVIEWED HERE THUS MAKING IRS AGENTS' TRIP UNPRODUCTIVE.

4. EMBASSY ANXIOUS TO FIND WAY TO ASSIST IRS IN PURSUING LEGITIMATE INVESTIGATION INTO THIS MATTER AND ESPECIALLY IN DETERMINING WHETHER PREVIOUS ACTIONS WERE TAKEN BY IRS CONTRARY TO LAWS OF GCOB. HOWEVER, INsofar AS INTERVIEW OF WOLSTENCROFT IS PRINCIPAL OBJECTIVE, TOWARD THESE ENDS, WE BELIEVE IT CAN BEST BE ACCOMPLISHED BY INVITATION TO MEET IN MIAMI WHILE
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REDUCING PROSPECT THAT, NO MATTER HOW WELL-INTENTIONED, A FURTHER PROPOSAL TO GCOB FOR IRS AGENTS TO COME TO BAHAMAS TO INTERVIEW A RESIDENT OF THIS COUNTRY WHO IS NON-AMERICAN AND A BANK OFFICIAL, WILL BE MISUNDERSTOOD AND BE MET BY STILL ADDITIONAL HEATED PROTESTS.
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